MoMo Payment Service Bank Limited
Audited financial statements
for the thirteen months period ended 31 December 2022

Corporate information

Registration number:	RC 1870676	
Directors	Mr. Karl Toriola	Ag. Chairman
	Mr. Usoro Usoro	Executive Director
	Mr. Tobechukwu Okigbo	Non-Executive Director
	Mrs. Elsa Muzzolini	Executive Director
	Mr. Mazen Mroue	Non-Executive Director
	Mr. Serigne Dioum	Non-Executive Director
Registered office	MTN Atlantis, 290B, Akin Adesola Street Victoria Island, Lagos	
Holding company	MTN Nigeria Communications Plc incorporated in Nigeria	
Auditors	Ernst & Young Nigeria 10th & 13th floors UBA House Marina Lagos	
Secretary (Acting)	Obafunmilayo Willoughby, FCIS	

Contents

Directors' report

The directors present their report on the affairs of MoMo Payment Service Bank Limited (the Bank), together with the audited financial statements and independent auditors' report for the period ended 31 December 2022.

Principal activities of the Bank

MoMo Payment Service Bank Limited (MoMo PSB or the Bank) was incorporated on 7 December 2021 as a private limited liability company. It was granted a licence by the Central Bank of Nigeria on 8 April 2022 to undertake the business of providing increased access to deposit products and payment/ remittance services (covered by the Deposit Insurance Scheme) to small businesses, low-income households, rural areas, and other financially excluded entities through high-volume low-value transactions in a secured technology-driven environment. The Bank commenced operations on 8 April 2022 and commercially launched on 19 May 2022.

The registered office address of the Bank is MTN Atlantis, 290B, Akin Adesola Street, Victoria Island, Lagos.

Business review

Operating results

The following is a summary of the Bank's operating results:

	13 months ended 31 December 2022 N '000
Revenue	104,990
Loss before taxation	(18,981,691)
Income tax credit	5,688,804
Loss for the year	**(13,292,887)**

There was no dividend recommended by the directors for the thirteen months ended 31 December 2022.

Directors

The directors who served during the period are as follows:

Directors	Designation	Nationality
Mr. Karl Toriola	Ag. Chairman	Nigerian
Mr. Usoro Usoro	Executive Director	Nigerian
Mr. Tobechukwu Okigbo	Non-Executive Director	Nigerian
Mrs. Elsa Muzzolini	Executive Director	French
Mr. Mazen Mroue	Non-Executive Director	Lebanese
Mr. Serigne Dioum	Non-Executive Director	Senegalese

Directors' interests in contracts

None of the directors have notified the Bank for the purpose of Section 303 of the Companies and Allied Matters Act of Nigeria (CAMA) 2020, of any declarable interest in contracts in which the Bank is involved.

Charitable gifts

The Bank made no donations to any charitable organisations during the period. In compliance with S.43(2) of Companies and Allied Matters Act of Nigeria 2020, the Bank did not make any donations to any political party, political association or for any political purpose.

Directors' report

Share capital

	13 months ended 31 December 2022 N '000	13 months ended 31 December 2022 Number of shares
MTN Nigeria Communications Plc	4,000,000	4,000,000
Acxani Limited	1,000,000	1,000,000
	5,000,000	**5,000,000**

The shareholding of the Bank is 80% MTN Nigeria Communications Plc and 20% Axcani Limited.

Employment of physically challenged persons

No person with disability physical challenges was employed by the Bank during the period. However, the Bank has a policy of fair consideration of job applications by persons with physical challenges having regard to their abilities and aptitude.

Health, safety and welfare of employees

The bank places a high premium on the health, safety and welfare of its employees in their place of work.

Auditors

Messrs Ernst & Young (EY) were appointed by the directors on 13 March 2023, as first auditor of MoMo PSB, and as first auditors appointed, they shall hold office until the conclusion of the next annual general meeting in accordance with S.401(5) of the Companies and Allied Matters Act 2020.

Messrs Ernst & Young (EY) has indicated willingness to continue in office as auditor in accordance with S.401(2) of the Companies and Allied Matters Act 2020.

By order of the Board

Obafunmilayo Willoughby, FCIS
Ag. Company Secretary
FRC/2021/002/00000023285
Lagos, Nigeria
28 April 2023

Statement of directors' responsibilities in relation to the preparation of the financial statements

The Directors of MoMo Payment Service Bank Limited are responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at 31 December 2022, and the results of its operations, cash flows and changes in equity for the period then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act (CAMA) 2020, the Banks and Other Financial Institutions Act, 2020, the Central Bank of Nigeria Supervisory Framework for Payment Service Banks, Relevant Central Bank of Nigeria Circulars and the Financial Reporting Council of Nigeria Act, No 6, 2011.

In preparing the financial statements, the Directors are responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance; and
- Making an assessment of the Bank's ability to continue as a going concern.

The Directors are responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls of the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

The Directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the Bank will not remain a going concern for at least twelve months from the date of this statement.

The audited financial statements for the period ended 31 December 2022 were approved by the directors on 28 April 2023.

Signed on behalf of the Directors of the Bank

Karl Toriola
Ag. Chairman
FRC/2021/002/00000022839

Usoro Usoro
Executive Director
FRC/2020/003/00000020335

Statement of corporate responsibility for the financial statements

Section 405 of the Companies and Allied Matters Act (CAMA) 2020 requires the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of a company other than a small company or persons performing similar functions to take direct responsibility for the financial reports and shall certify in the financial statements accordingly.

In pursuant of this Section, the CEO and CFO (hereinafter called "officers") certify that the:

a) Officers who signed the audited financial statements have reviewed them, and based on the officers' knowledge the:

   i. financial statements do not contain any untrue statement of a material fact or omit to state a material fact which would make the statements misleading, in light of the circumstances under which such statements were made; and

   ii. financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operations of the Bank as of, and for, the periods covered by the financial statements

b) Officers who signed the financial statements:

   i. are responsible for establishing and maintaining internal controls; and have designed such internal controls to ensure that material information relating to the Bank is made known to the officers by other officers of the Bank, particularly during the period in which the financial statements report is being prepared;

   ii. have evaluated the effectiveness of the Bank's internal controls within 90 days prior to the date the financial statements;

   iii. certifies that the Bank's internal controls are effective as of that date

c) Officers who signed the financial statements disclosed to the Bank's auditors and audit committee:

   i. all significant deficiencies and material weaknesses in the design or operation of the internal control system which could adversely affect the Bank's ability to record, process, summarize and report financial data; and has identified for the Bank's auditors any material weaknesses in internal controls, and

   ii. there is no fraud involving management or other employees which could have any significant role in the Bank's internal control.

Officers who signed the report, has indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Signed on 28 April 2023

Usoro Usoro	Omolara Michael-Nwadu
Executive Director	Chief Financial Officer
FRC/2020/003/00000020335	FRC/2014/ICAN/00000009692

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MOMO PAYMENT SERVICE BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MOMO Payment Service Bank Limited ("the Bank"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.
in our opinion, the accompanying financial statements give a true and fair view of the financial position of MOMO Payment Service Bank Limited as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IRSs), the provisions of the Companies and Allied Matters Act, 2020, the Banks and Other Financial Institutions Act (BOFIA), 2020, the Central Bank of Nigeria (CBN) guidelines and circulars and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing the audit of the Bank. We have fulfilled our other ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide as separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in the context.

We have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our report included the performance of procedures designed to respond to our assessment of the risk of material misstatement of the financial statements. The result of our audit procedures, including the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statements.

The Key Audit Matter applies equally to the audit of the financial statements.

Key Audit Matter- Continued

Key Audit Matter	How the matter was addressed in the audit
Recognition and valuation of deferred tax assets The Bank has recognised significant deferred tax assets in respect of tax losses. The recovery of the deferred tax assets depends on achieving sufficient taxable profits in the future. Future taxable profits to be used for utilisation of tax losses accumulated by the Bank mainly represent fee and commission income less fee and commission expense from digital transactions and interest income to be received from placements with banks. The assessment of the potential to utilise the tax losses is dependent on the forecast profitability of the Bank in respect of net fee and commission income and interest generated from placements with banks. There is inherent uncertainty involved in forecasting timing and quantum of future taxable profits, which support the extent to which tax assets are recognised. Therefore, this is the key judgmental area our audit is concentrated on. Refer for note 12 and 19 of the financial statements.	Our audit procedures included the following: We tested the accuracy of the taxable profits forecast model used to estimate the likelihood of the recovery of deferred tax assets. We evaluated the appropriateness of management's key assumptions and estimates used by management to allocate profit between its various digital products, the likelihood of generating sufficient future taxable profits to support the recognition of deferred tax assets, in reference to performance trends in the industry. We considered the appropriateness of the application of relevant tax legislation by the Bank in relation to the utilisation of tax losses.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled. "MOMO Payment Service Bank Limited Audited Financial Statements for the thirteen months ended 31December 2022, which includes Corporate Information, Directors' report, Statement of directors' responsibilities in relation to the preparation of the financial statements, Statement of corporate responsibility for the financial Statements, and Other national disclosures. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Other Information- Continued

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

if, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020, the Banks and Other Financial Institutions Act, 2020, the Central Bank of Nigeria guidelines and circulars, and in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes dur opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements – continued

As part of an audit in accordance with ISAs, we exercise professional judgement and main professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern.
  If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For the matters communicated with the Directors, we determine those matters that were of most significant in the audit of the financial statements of the current period and are therefore key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequence of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MOMO PAYMENT SERVICE BANK LIMITED – *continued*

Report on Other Legal and Regulatory Requirement

In accordance with the requirement of the Fifth Schedule of the Companies and Allied Matters Act, 2020, we confirm that:

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

- In our opinion, proper books of account have been kept by the Bank in so far as it appears from our examination of those books:

- The Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

In compliance with the Banks and Other Financial Institutions Act, 2020, and circulars issued by Central Bank of Nigeria, we confirm that:

- Related party transactions and balances are disclosed in Note 26 to the financial statements in compliance with Central Bank of Nigeria circular BSD/1/2004.

- The Bank did not pay any penalties within the period in respect of contraventions of certain sections of the Bank and Other Financial Institutions Act, 2020 and circulars issued by Central Bank of Nigeria during the year ended 31 December 2022.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
ICAN
0091146

Jamiu Olakisan

FRC/2013/ICAN/00000003918

For: Ernst & Young
Lagos Nigeria
30 April 2023

Statement of profit or loss and other comprehensive income for the period ended 31 December 2022

	Note(s)	13 months ended 31 December 2022 N '000
Fees and commission income	10	104,990
Fees and commission expenses	11	(1,083,302)
Net fees and commission expense		**(978,312)**
Other income	14	554,295
Credit loss expense on financial assets	12	(10,543,761)
Personnel expenses	13	(655,517)
Other operating expenses	15	(7,358,396)
Loss before taxation		**(18,981,691)**
Income tax credit	16	5,688,804
Loss for the period		**(13,292,887)**
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Fair valuation gain on investments designated at FVOCI net of tax	24.2	64,845
Allowance for expected credit loss on financial assets at FVOCI	24.2	16,703
		81,548
Other comprehensive income for the period net of tax		**81,548**
Total comprehensive loss for the period net of tax		**(13,211,339)**

The accompanying notes and significant accounting policies form an integral part of these audited financial statements.

Statement of financial position as at 31 December 2022

	Note(s)	31 December 2022 N '000
Assets		
Cash and cash equivalents	17	15,356,719
Financial assets at fair value through other comprehensive income	20	2,378,068
Other assets	18	1,009,251
Deferred tax	19	5,657,582
		24,401,620
Liabilities		
Deposits from customers	21	650,502
Other liabilities	22	16,462,457
Deposits for shares	23	15,500,000
		32,612,959
Equity		
Share capital	24.1	5,000,000
Other reserves	24.2	81,548
Accumulated loss	24.4	(13,292,887)
		(8,211,339)
Total equity and liabilities		**24,401,620**

The accompanying notes to the financial statements are an integral part of these audited financial statements.

The audited financial statements were approved by the Board of Directors and authorized for issue on 28 April 2023 and signed on its behalf by :

Karl Toriola Ag. Chairman FRC/2021/002/00000022839	Usoro Usoro Executive Director FRC/2020/003/00000020335	Omolara Michael-Nwadu Chief Financial Officer FRC/2014/ICAN/00000009692

Statement of changes in equity for the period ended 31 December 2022

	Share capital N '000	Other reserves N '000	Accumulated loss N '000	Total equity N '000
Shareholding at incorporation	5,000,000	-	-	5,000,000
Loss for the period	-	-	(13,292,887)	(13,292,887)
Fair valuation gain on investments designated at FVOCI net of tax	-	64,845	-	64,845
Allowance for expected credit loss on financial assets at FVOCI	-	16,703	-	16,703
Total comprehensive loss for the period	**-**	**81,548**	**(13,292,887)**	**(13,211,339)**
Balance at 31 December 2022	**5,000,000**	**81,548**	**(13,292,887)**	**(8,211,339)**
Note(s)	24.1	24.2	24.4	

The accompanying notes form an integral part of the audited financial statements.

Statement of cash flows for the period ended 31 December 2022

	Note(s)	13 months ended 31 December 2022 N '000
Cash flows from operating activities		
Cash used in operations	25	(3,396,676)
Other income received	14.1	450,010
Net cash used in operating activities		**(2,946,666)**
Cash flows from investing activities		
Purchase of investments at fair value through other comprehensive income	20.1	(2,177,716)
Net cash used in investing activities		**(2,177,716)**
Cash flows from financing activities		
Proceeds on share issue	24.1	5,000,000
Proceeds from deposits for shares	23	15,500,000
Net cash from financing activities		**20,500,000**
Net increase in cash and cash equivalents		**15,375,618**
Cash and cash equivalent at the beginning of the period		-
Cash and cash equivalent at the end of the period	17.1	**15,375,618**

The accompanying notes to the financial statements are an integral part of these audited financial statements.

Notes to the audited financial statements

1 General information

MoMo Payment Service Bank Limited is a private limited company incorporated and domiciled in Nigeria.

The Bank was incorporated in Abuja Nigeria on the 7 December 2021. The Bank is to provide increased access to deposit products and payment/ remittance services (covered by the Deposit Insurance Scheme) to small businesses, low-income households, rural areas, and other financially excluded entities through high-volume low-value transactions in a secured technology-driven environment.

The shareholding of the Bank is 80% MTN Nigeria Communications Plc and 20% Axcani Limited.

2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and with the requirements of the Financial Reporting Council of Nigeria Act 2011 and Companies and Allied Matters Act of Nigeria (CAMA) 2020.

The Bank has adopted all new accounting pronouncements that became effective in the current reporting period, none of which had a material impact on the Bank. The financial statements are presented in Naira and rounded to the nearest thousands, except where stated otherwise.

The financial statements have been prepared on a going concern basis. Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of these financial statements.

3 Basis of measurement

The audited financial statements have been prepared under the historical cost basis except for debt instruments measured at fair value through other comprehensive income.

4 Going concern

The Bank's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Bank should be able to operate within their current funding levels. The directors have a reasonable expectation that the Bank have adequate resources to continue in operational existence for the foreseeable future. The Bank therefore continues to adopt the going concern basis in preparing the audited financial statements.

5. Significant accounting policies

The principal accounting policies applied in the preparation of these audited financial statements are set out below.

5.1 Financial instruments

Financial instruments held by the Bank are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Bank, as applicable, are as follows:

Financial assets which are instruments held at:

- Amortised cost; or
- Fair value through other comprehensive income; or

5.1 Financial instruments (continued)

Financial liabilities:
- Amortised cost; or
- Fair value through profit or loss.

Financial instruments at amortised cost

Amortized cost financial assets are non-derivative assets with fixed or determinable payments and fixed maturity and which are not designated at fair value through profit or loss, or fair value through other comprehensive income.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Any sale or reclassification of a significant amount of amortized cost investments not close to their maturity would result in a reassessment of the Bank's business model for managing the assets.

Financial liabilities that are not classified as at fair value through profit or loss are measured at amortised cost using the effective interest method.

Financial assets at fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, including the recognition of credit losses or reversals, interest income are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is recycled from equity to profit or loss and recognised in other income. Interest income from these financial assets is included in interest income using the effective interest rate method.

Financial instruments at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading and financial liabilities mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Note 8 Financial risk management presents the financial instruments held by the Bank based on their specific classifications.

5.1.1 Other receivables

Classification

Other assets, excluding, sundry and other receivables and non-financial receivables (which are recognised at historical cost) , are classified as financial assets subsequently measured at amortised cost (note 18). They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Bank's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Other assets are recognised when the Bank becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost. The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Notes to the audited financial statements

5.1 Financial instruments (continued)

5.1.2 Deposits from customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

5.1.3 Trade and other payables

Classification

Other liabilities (note 22), excluding non-financial payables, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Bank becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost using the effective interest method.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the Bank to liquidity risk and possibly to interest rate risk. Refer to note 8 for details of risk exposure and management thereof.

5.1.4 Cash and cash equivalents

Cash and bank balances include notes and coins on hand, current balances with other banks, balances held with central banks and placements with banks which are used by the Bank in the management of its short-term commitments. Cash and cash equivalents as referred to in the statement of cash flow comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less. Cash and bank balances are carried at amortised cost in the statement of financial position

5.1.5 Derecognition

Financial assets

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Notes to the audited financial statements

5.1.6 Impairment

The Bank recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECL is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Bank applies a simplified approach in calculating ECLs. Therefore, the Bank does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Bank has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Bank applies the low credit risk simplification. At every reporting date, the Bank evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Bank reassesses the internal credit rating of the debt instrument. In addition, the Bank considers whether there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Bank's debt instruments at fair value through OCI comprise solely of Federal Government Treasury Bills that are graded in the non-investment category (B- to B+) by the Standard & Poor's (S&P), but are considered to be low credit risk investments as the risk of default is low. The Bank uses the ratings from the S&P both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

5.2 Tax

5.2.1 Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

5.2.2 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

5.3 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Notes to the audited financial statements

5.3 Share capital and equity (continued)

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the Bank in which they are declared.

5.4 Employee benefits

a) Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

b) Defined contribution plans

All full time employees contribute 8% of monthly emoluments while the Bank contributes 10% of monthly emoluments in line with the Pension Reform Act 2014 guidelines. Monthly emoluments comprise of basic salary, housing allowance, transport allowance, leave allowance, 13th month allowance and passage allowance. These contributions are recognised as employee benefits expense when they are due.

5.5 Fees and commissions income and expenses

Fees and commission income comprises the provision of services in the ordinary course of the business, net of value added taxes. The income is recognised when performance obligations are satisfied and control has been transferred to the customer. The majority of the fees in respect of services (Sale of airtime, C2C- Cash to Cash and BVN- Bank verification number registration, Cash in cash out, Channel fee, Bill payment fee, SMS fee, Transaction fee, Assisted cash deposit and withdrawal) are recognised at the point in time when the transaction with the customer takes place and the service is performed. Airtime fee is recognised once an agent completes a transaction on the MoMo platform for the customer.

Fees and commission expenses represents commission paid to third party agents for services rendered, accounted for on an accrual basis.

5.6 Other income

Other income comprises interest income on funds invested with other banks and institutions and is recognised as it accrues in profit or loss, using the effective interest rate method.

Notes to the audited financial statements

6 Critical estimates and judgments

Assessment of and impairment requirements for financial assets, financial guarantees and commitments

For financial assets that are measured at amortized cost or fair value through other comprehensive income as well as financial guarantees the impairment requirements of IFRS 9 are applied. Key assessments and assumptions used in impairment calculations are subject to regular review.

Impairment on investments

The Bank applies the general approach to estimate impairment of the investments measured at amortised cost and at fair value through other comprehensive income. This area requires the use of inputs and assumptions on the credit rating of the issuer and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

Losses carry-forward

MoMo PSB assesses on an ongoing basis as well as at the end of the year the possibility of recognizing deferred tax assets related to loss carry-forwards. Deferred tax assets attributable to losses carry-forward are reported only if it is probable that they will be used towards taxable profits in the foreseeable future.

Notes to the audited financial statements

7. New standards and interpretations

7.1 Standards and interpretations effective and adopted in the current period

In the current period, the Bank has adopted the following standards and interpretations that are effective for the current financial period and that are relevant to its operations:

Reference to the Conceptual Framework -Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Bank.

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Bank.

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Bank.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

7. New standards and interpretations (continued)

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments is not applicable to the Bank.

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Bank.

7.2 Standards and interpretations not yet effective

The Bank has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Bank’s accounting periods beginning on or after January 1, 2023 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.
It is unlikely that the amendment will have a material impact on the Bank's audited financial statements.

Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

The effective date of the amendment is for years beginning on or after January 1, 2023.
It is unlikely that the amendment will have a material impact on the Bank's audited financial statements.

7. New standards and interpretations (continued)

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the audited financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after January 1, 2023.
It is unlikely that the amendment will have a material impact on the Bank's audited financial statements.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in audited financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after January 1, 2023.
It is unlikely that the amendment will have a material impact on the Bank's audited financial statements.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after January 1, 2023.
It is unlikely that the standard will have a material impact on the Bank's audited financial statements.

Notes to the audited financial statements

8. Financial risk management

Overview

MoMo PSB has adopted an enterprise wide, integrated approach to risk management. The key objectives are as follow:

1. meet and exceed best practice global standards as defined by local and international regulatory bodies. The Bank intend to achieve this by adhering to the principles of the Basel II Accords as adopted by the Central Bank of Nigeria (CBN);
2. ensure sustainable profitability and enterprise value protection by maintaining growth within appropriate risk-control boundaries; and
3. enhance corporate governance by involving the Board and Senior Management in setting the tone for the risk management agenda.

The key elements of the ERM framework are intended to enhance risk identification, measurement, control and reporting.

The Bank is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

8.1 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Key counterparties with whom significant concentration of risk exists as at 31 December 2022 are deposits with banks, investments in Federal Government instruments and trade and other receivables.

The risk of financial loss due to a counterparty failing to meet its contractual obligations, e.g. default, or concentrations in exposure. The Bank's maximum exposure to credit risk is represented by the carrying amount of the financial assets that are exposed to credit risk.

Analysis of risk concentration

The following table shows the risk concentration by industry based on the gross carrying amount without expected credit loss components of the statement of financial position.

		2022			
		Total	Government	Financial institutions	Others
	Note(s)	N '000	N '000	N '000	N '000
Financial assets at FVOCI	20	2,378,068	-	2,378,068	-
Other assets	18	905,707	-	-	905,707
Cash and cash equivalents	17	15,356,719	-	15,356,719	-
		18,640,494	**-**	**17,734,787**	**905,707**

Cash and cash equivalents

Expected Credit Losses (ECLs) are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at an approximation of the original effective interest rate. In determining the cash flows that the Bank expects to receive, the Bank apply the probability of default (default rate) based on rating by international credit rating agencies like S&P, Moody's and Fitch as well as local ratings by Agusto and Co.

Notes to the audited financial statements

8. Financial risk management (continued)

Other assets

Customer credit risk is managed by each business unit subject to the Bank's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type).

No allowance for expected credit loss on receivables from related parties because MoMo PSB is in a net payable position.

Credit quality by class

	Stage 1 Gross amount N '000	Total gross amount N '000	Stage 1 ECL N '000	Total ECL N '000	Carrying amount N '000
Financial assets at FVOCI					
Internal rating grade					
Investment	2,378,068	2,378,068	16,703	16,703	2,361,365
Cash and cash equivalents					
Internal rating grade					
Investment	8,025,644	8,025,644	18,899	18,899	8,006,745
Non-Investment	7,349,974	7,349,974	-	-	7,349,974

8.2 Liquidity risk

Liquidity risk is defined as the risk that the Bank does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Bank's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. To limit this risk, management plans to arrange diversified funding sources including overdrafts and adopting a policy of managing assets with liquidity in mind, monitoring future cash flows and liquidity on a daily basis.

Analysis of financial assets and liabilities by remaining contractual maturities

The analysis shows the undiscounted cash flows on the Bank's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The table below summarises the maturity profile of the cash flows of the Bank's financial assets and liabilities:

Notes to the audited financial statements

8. Financial risk management (continued)

13 months ended 31 December 2022

	On demand N '000	1 to 3 months N '000	3 to 12 months N '000	Total N '000	Carrying amount N '000
Financial assets					
Cash and cash equivalents	-	15,356,719	-	15,356,719	15,356,719
Financial assets valued at FVOCI	-	-	2,378,068	2,378,068	2,378,068
Other financial assets	832,999	27,107	45,601	905,707	905,707
	832,999	**15,383,826**	**2,423,669**	**18,640,494**	**18,640,494**
Financial liabilities					
Deposits from customers	605,502	-	-	605,502	650,502
Other financial liabilities	166,559	1,537,862	14,756,052	16,460,473	16,460,473
	772,061	**1,537,862**	**14,756,052**	**17,065,975**	**17,110,975**
Surplus (asset-liquidity)	**60,938**	**13,845,964**	**(12,332,383)**	**1,574,519**	**1,529,519**
Cumulative liquidity space	**60,938**	**13,845,964**	**(12,332,383)**	**1,574,519**	**1,529,519**

8.3 Market risk

Market risk is the risk that the fair value or future cash flows or a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and equity price risk. The Bank did not have any material exposure to market risk during the year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalent, treasury bills and short term deposits. The interest rates applicable to these financial instruments are on a combination of floating and fixed basis in line with those currently available in the market. The Bank's interest rate risk arises from the repricing of the Bank's floating rate debt, incremental funding or new borrowings, the refinancing of existing borrowings and the magnitude of the significant cash balances which exist. The Bank manages its debt on an optimal mix of local and foreign borrowings and fixed and floating interest rates.

Interest rate profile

	2022		
	Fixed rate instruments N '000	Variable rate instruments N '000	Non interest bearing N '000
Financial assets at FVOCI	2,378,068	-	-
Other assets	-	-	905,707
Cash and cash equivalents	8,025,644	-	7,349,974
	10,403,712	**-**	**8,255,681**
Customer deposits	-	-	650,502
Other liabilities	-	-	16,460,473
	-	**-**	**17,110,975**

The Bank is not exposed to interest rate sensitivity as the instruments from the Federal Government and balances and placements with banks attract fixed interest rates.

Notes to the audited financial statements

8. Financial risk management (continued)

Price risk

The Bank is exposed to the impact of price changes on its financial assets measured at FVOCI instruments.:

The table below shows the impact of price changes (increase / decrease) on the Bank's financial instruments at FVOCI and the effect on other comprehensive income. For debt securities which are categorised under level 1 in the fair value hierarchy, a 2% change in prices has been assumed with other variables remaining constant.

Investment securities at FVOCI:	N '000
Treasury bills	2,378,068
	2,378,068
Impact on other comprehensive income statement:	
Favourable change @ 2% increase in prices	66,142
Unfavourable change @ 2% reduction in prices	63,548

Foreign exchange risk

Foreign exchange risk is the risk of adverse changes in currency exchange rates. The Bank had little to no financial liabilities exposed to foreign exchange risk for the year covered.

During the period, the Bank had no balance with banks in foreign currency (USD). The Bank's financial asset exposure to foreign exchange risk is nil, hence, no foreign exchange sensitivity analysis was disclosed.

Equity Risk

This is the risk of adverse changes in prices of quoted and unquoted equity instruments. The Bank is not exposed to this risk as it does not have any equity instruments.

Notes to the audited financial statements

8. Financial risk management (continued)

8.4 Capital risk management

The primary objectives of the Bank's capital management policy are to ensure that the Bank complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

The Bank's objectives when managing capital are as follows:
- To ensure that capital is, and will continue to be, adequate for the safety and stability of the Bank.
- To generate sufficient capital to support the Bank's overall business strategy.
- To establish the efficiency of capital utilization.
- To comply with regulatory requirement at all time.

Capital adequacy ratio

The capital adequacy ratio shall be measured as the percentage of its shareholders' funds unimpaired by losses to its total risk weighted assets. In line with the Central Bank of Nigeria guidance notes on regulatory capital, a bank shall compute its regulatory capital adequacy ratio in the following manner:

$$\text{Regulatory capital ratio (CAR)} \quad \frac{\text{Qualifying capital}}{\text{Total risk weighted assets}}$$

'The table below shows the computation of the Bank's capital adequacy ratio as at 31 December 2022:

		31 December 2022 N '000
Tier 1 Capital: Instruments & reserves		
Share capital	17	5,000,000
Other reserves	20	81,548
Tier 1 Capital before regulatory deduction (a)		**5,081,548**
Regulatory deduction		
Deferred tax assets	19	5,657,582
Current year losses		13,292,887
Total regulatory deduction (b)		**18,950,469**
Tier 1 Capital after regulatory deduction (a-b)		(13,868,921)
Total RWA		8,451,231
Capital adequacy ratio		(164.11)%

Notes to the audited financial statements

9. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:
Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Bank can access at measurement date.
Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

	Level 1 N '000	Level 2 N '000	Level 3 N '000	Total N '000
31 December 2022				
Financial assets				
Financial assets at FVOCI	-	2,378,068	-	2,378,068
	-	2,378,068	-	2,378,068

Financial assets at level 2 are measured using the yields of treasury bill yields quoted by FMDQ on their daily quotation list.

Financial instruments not measured at fair value and for which fair value is disclosed

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Bank's financial statements. These fair values were calculated for disclosure purposes only.

Item	Methodologies and assumptions
Cash and cash equivalents	The carrying amount of cash and cash equivalents is a reasonable approximation of fair value.
Deposits from customers	The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The carrying amount of deposits from customers is a reasonable approximation of fair value.
Other assets	The carrying amount of other assets is a reasonable approximation of fair value.
Other liabilities	The carrying amount of other liabilities equivalents is a reasonable approximation of fair value.

Notes to the audited financial statements

		13 months ended 31 December 2022 N '000

10. Fees and commission income

SMS commission[10.1]		31,638
Commissions from transfers[10.2]		28,977
Commissions from sale of airtime and data[10.3]		21,951
Commissions from withdrawals and deposits[10.4]		21,690
Commissions from payment to 3rd parties		734
		104,990

10.1 SMS commissions are earned from customers using the USSD platform to perform transactions.
10.2 Commission from transfers is earned on transfers from one MoMo customer account to other banks accounts.
10.3 Commissions from sale of airtime and data is revenue earned from the sales of airtime and data from MTN Nigeria and other networks by the MoMo agents.
10.4 Commissions from withdrawals and deposits revenue is earned when MoMo Agents assist customers to facilitate deposit and make withdrawals into/(from) the bank account of any customer using the NUBAN (Nigeria Uniform Bank Account Number) at MoMo agent outlets

The Bank disaggregates revenue from customers as follows:

Timing of revenue recognition		
At a point in time		
Commissions and fees income received		104,990
		104,990

All commissions earned by MoMo PSB are earned at the point the transaction is executed.

11. Fees and commission expenses

Dealer commission expense[11.1]		918,524
Agent commission expense[11.2]		164,778
		1,083,302

11.1 Dealer commissions are costs incurred to access USSD platform from service providers.
11.2 Agent commissions are commissions paid to MoMo agents on assisted deposits and withdrawals, sales of airtime and data.

12. Credit loss expense on financial assets

Credit loss on other receivables	18	10,508,159
Credit loss on short term deposits	17	18,899
Credit loss on treasury bills	24.2	16,703
		10,543,761

13. Personnel expenses

Salaries and wages		635,132
Pension-defined contribution plan		6,913
Other staff costs		13,472
		655,517

Other staff costs includes recruitment costs, provision for bonuses and welfare costs.

Notes to the audited financial statements

		13 months ended 31 December 2022 N '000

14. Other income

Income from statutory deposits[1]		349,428
Income from short-term fixed deposits[2]		100,582
Income from financial assets at FVOCI[3]		104,285
		554,295

[1] This comprises interest from the liquidated statutory deposit previously held with the Central Bank of Nigeria (CBN).
[2] This comprises interest arising from placements in short-term deposits with other banks.
[3] This comprises the interest from financial assets at FVOCI.
Other income is calculated using effective interest rate method.

14.1 Other income for cash flow statement

Other income reported in statement of profit or loss		554,295
Adjusted for:		
Accrued income from treasury bills		(104,285)
		450,010

15. Other operating expenses

Advertisements, sponsorships and sales promotions		1,597,030
Audit fees		20,000
Bank charges		14,453
Business launch expenses		316,616
Customer activation costs		4,780,310
Maintenance costs		1,645
Market research costs		1,720
Professional fees		578,678
Rent*		14,458
Training costs		1,174
Travels and entertainment costs		32,312
		7,358,396

*Rent related to short term lease.

16. Income tax credit

Major components of the tax

Deferred tax		
Deferred tax credit	19	(5,688,804)

Current tax is the expected tax payable (companies income tax and education tax) on the taxable income for the year determined in accordance with the provisions of the Companies Income Tax Act (CITA) and Education Tax Act (ETA) using the tax rate enacted or substantively enacted as the reporting date. The Company has no company income tax because it is currently making losses and also not liable to minimum tax because it is still in its first four (4) years of commencement of operation as at the end of the period ended 31 December 2022. However, deferred tax credit has been recognised to the extent that it's considered recoverable.

Notes to the audited financial statements

	Note(s)	31 December 2022 N '000

17. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances		7,349,974
Short-term deposits		8,025,644
		15,375,618
Allowance for expected credit losses	17.2	(18,899)
		15,356,719

17.1 For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

Bank balances	7,349,974
Short-term deposits	8,025,644
	15,375,618

Short term deposits are placements with banks held for less than 90 days and can be called on demand.

17.2 Reconciliation of the allowance for expected credit losses

Credit loss expense recognised in profit or loss	12	18,899
Closing balance		**18,899**

Reconciliation of gross carrying amount and ECL

	Stage 1 N '000	Stage 2 N '000	Stage 3 N '000	Total N '000
Internal rating guide				
Investment	8,025,644	-	-	8,025,644
Non-Investment	7,349,974	-	-	7,349,974
	15,375,618	**-**	**-**	**15,375,618**
Opening gross carrying amount	-	-	-	-
New asset purchased	15,375,618	-	-	15,375,618
Assets derecognised or matured	-	-	-	-
Transfer between stages	-	-	-	-
Closing balance	**15,375,618**	**-**	**-**	**15,375,618**
Opening ECL allowance	-	-	-	-
Charge for the year	(18,848)	-	-	(18,848)
Assets derecognised or matured	-	-	-	-
Transfer between stages	-	-	-	-
Closing balance	**(18,848)**	**-**	**-**	**(18,848)**

Notes to the audited financial statements

18. Other assets

	Note(s)	31 December 2022 N '000
Financial instruments:		
Related party receivables	26	905,707
Other receivables[1]		10,508,159
		11,413,866
Allowance for expected credit losses[2]	18.1	(10,508,159)
Total other financial assets		905,707
Non-financial instruments:		
Sundry receivables and advances		1,535
Other non-financial receivables[3]		102,009
Total other non-financial assets		103,544
Total other assets		**1,009,251**

Split between non-current and current portions

Current		1,009,251
		1,009,251

[1]Other receivables is made up of the amount expected from the loss on unauthorized transfers that occurred due to a system technical glitch during the year. N22 billion was wrongly transferred, N11.5 billion was recovered with a balance of N10.5 billion unrecovered.
[2]The allowance for expected credit losses was computed using the simplified approach as indicated by IFRS 9 and is the impairment assessment is on the possibility of the collection of the other receivables amount.
[3]This comprises withholding tax receivables and other recoverable taxes.

18.1 Reconciliation of allowance of credit losses

Credit loss recognised in profit or loss	12	10,508,159
Closing balance		**10,508,159**

18.2 Other assets for cash flow purposes:

Increase in related party receivables		905,707
Increase in other receivables		10,508,159
Increase in sundry receivables and advances		1,535
Increase in other non-financial receivables		102,009
Increase in other assets	**25**	**11,517,410**

Notes to the audited financial statements

	Note(s)	31 December 2022 N '000

19. Deferred tax

Deferred tax asset

Tax losses avail for set off against future tax		5,657,582

The deferred tax asset is recognised because the Bank assessed that it is probable that the deferred tax asset would be utilised by profits in the foreseeable future. This expectation is based on the 5-year business plan which shows that the entity is estimated to make taxable profits within the next 5 years and Section 31(2) of CITA permits MoMo PSB to carry forward unrelieved losses and utilize it against future taxable profits indefinitely.

Reconciliation of deferred tax asset

	Note(s)	N '000
Tax credit recognised in profit or loss	16	5,688,804
Tax expense recognised in OCI	24.3	(31,222)
Closing balance		**5,657,582**

Movement in temporary differences in the period:

	Opening balance N '000	Charge to profit or loss N '000	Charge to OCI N '000	Closing balance N '000
2022				
Assessable losses	-	5,688,804	-	5,688,804
Provision	-	-	(31,222)	(31,222)
	-	**5,688,804**	**(31,222)**	**5,657,582**

20. Financial assets at fair value through other comprehensive income

Treasury bills at fair value through other comprehensive income		2,378,068
		2,378,068

20.1 Movement schedule for financial assets at FVOCI

	Note(s)	N '000
Purchases		2,177,716
Sales		-
Accrued interest	14	104,285
Net change in fair value	24.3	96,067
Closing balance		**2,378,068**

20.2 Reconciliation of gross carrying amount to ECL

	Stage 1 N '000	Stage 2 N '000	Stage 3 N '000	Total N '000
Opening gross carrying amount	-	-	-	-
New asset purchased	2,378,068	-	-	2,378,068
Assets derecognised or matured	-	-	-	-
Transfer between stages	-	-	-	-
Closing balance	**2,378,068**	**-**	**-**	**2,378,068**
Opening ECL allowance	-	-	-	-
New asset purchased	(16,703)	-	-	(16,703)
Assets derecognised or matured	-	-	-	-
Transfer between stages	-	-	-	-
Closing balance	**(16,703)**	**-**	**-**	**(16,703)**

Notes to the audited financial statements

	Note(s)	31 December 2022 N '000

21. Deposits from customers

Demand deposit		650,502
		650,502

Split between non-current and current portions

Current		650,502
		650,502

22. Other liabilities

Financial instruments:		
Related party payables	26	14,488,974
Other payables		302,579
Other accrued expenses[1]		1,668,920
Other financial liabilities		**16,460,473**
Non-financial instruments:		
Other non-financial payables[2]		1,984
Other non-financial liabilities		**1,984**
Total other liabilities		**16,462,457**

[1] Other accrued expenses includes accruals for administrative expenses, professional fees, advertising costs and customer activation costs, yet to be settled.
[2] Other non-financial payables includes levies payable to tax authorities.

Current and non-current split

Current		16,462,457
		16,462,457

23. Deposits for shares

Deposit for shares		15,500,000
		15,500,000

Deposit for shares relates to additional investment from the shareholders which will be turned to shares in the subsequent period.

Notes to the audited financial statements

	Note(s)	31 December 2022 N '000

24. Equity

24.1 Share capital

Issued and fully paid		
5,000,000,000 ordinary shares at N1		5,000,000

MoMo PSB was incorporated with 5 billion shares at N1 per share.

24.2. Other reserves

Fair value reserve of investments designated at FVOCI	24.3	64,845
Allowance for expected credit losses on financial assets at FVOCI	12	16,703
		81,548

The fair value reserve includes the net cumulative change in the fair value of treasury bills at fair value through other comprehensive income.
Allowance on financial assets at FVOCI is the impairment in treasury bills.

24.3 Fair value reserve of investments designated at FVOCI

Fair value reserve of investments designated at FVOCI	20.1	96,067
Tax impact of 32.5% on fair value gains	19	(31,222)
Fair value reserve of investments designated at FVOCI, net of tax	24.2	**64,845**

Fair valuation gain on investments designated at fair value through other comprehensive income (FVOCI) is recognised on Federal Government treasury bills and bonds investments net of tax except for Federal Government bonds.

24.4. Accumulated losses

Accumulated losses is the carried forward recognised losses after expenses current period losses attributable to shareholders.

25. Cash used in operations

Loss before taxation		(18,981,691)
Adjustments for:		
Other income	14	(554,295)
Impairment charge on credit losses	12	10,543,761
		(8,992,225)
Changes in operating assets and liabilities:		
Increase in other assets	18.2	(11,517,410)
Increase in other liabilities	22	16,462,457
Increase in deposits from customers	21	650,502
Cash used in operations		**(3,396,676)**

Notes to the audited financial statements

	Note(s)	31 December 2022 N '000

26. Related parties

Related party transactions constitute the transfer of resources, services or obligations between the Bank and MTN Nigeria Communication Plc, regardless of whether a price is charged. Transactions between the Bank and MTN Nigeria Communication Plc for the 13 months ended 31 December 2022 were at arms length.

Relationships

Holding company	MTN Nigeria Communications Plc
Shareholder with significant influence	MTN Nigeria Communications Plc at 80% shareholding

Related party balances

	Note(s)	31 December 2022 N '000
Payable to:		
MTN Nigeria Communications Plc		14,488,974
	22	**14,488,974**
Related party payable transactions are listed below:		
Payment made by MTNN for NIBSS Settlement for MoMo PSB system glitch incident		10,300,000
Staff cost paid by MTNN on behalf of MoMo PSB		648,892
USSD Cost due to MTNN		357,713
Other operating expenses paid by MTNN on behalf of MoMo PSB		3,182,369
		14,488,974
Receivable from:		
MTN Nigeria Communications Plc		100
Yello Digital Financial Systems (YDFS) Limited		905,607
	18	**905,707**

27. System glitch incident

In May 2022, the bank experienced a system glitch which resulted in unauthorized transfers of N22 billion. MoMo PSB worked with relevant stakeholders to recover N11.5 billion. The unrecovered amount as at December 2022 was N10.5 billion. The unrecovered amount has been impaired and disclosed in notes 12 and 18.
MoMo PSB worked with relevant stakeholders to recover N11.5 billion and continues efforts to recover the balance.

28. Diversity in employment

Strategic focus on Diversity and Inclusion, specifically gender diversity, is a top priority for the bank. In Q4 2022, unconscious bias trainings were conducted for supervisors and leaders to effectively manage biases. Our gender diversity goals were communicated through targeted strategies for recruitment, development, and pay, accompanied by measurable success metrics. We have also implemented gender-friendly policies to create an inclusive work environment that attracts and retains female talent, a key driver for innovation and diversity

The average number and percentages of males and females employed during the year ended 31 December 2022 MoMo PSB vis-a-vis total workforce is as follows:

	Male Number	Female	Total	Male %	Female
Employees	22	14	36	61%	39%

MoMo PSB Ltd: Gender analysis of Board and Top Management as at 31 December 2022:

	Male Number	Female	Total	Male %	Female
Board	5	1	6	83%	17%
Top management (AGM_GM)	-	-	-	-	-
Total	6	1	6	83%	17%

29. Customer complaints

The channels/touch points maintained for ease of enquiry and complaint logging are:
- 24/7 hours call centre
- Customer Service representative in partnership with Super-agent shop network
- Outbound Campaigns
- Dedicated social media handlers for feedback/enquiries/complaints
- Website for product knowledge and not query resolution
- Closed Loop Feedback Surveys
- Complaint Management

For ease of resolution, complaints are classified into 3 types
1. Queries [First Time Resolution]
2. Requests [First Time Resolution]
3. Complaints [Escalations]

Complaint Resolution Process

Based on the above, the table below shows complaints received, resolved and unresolved by the Bank. Report on complaints received and resolved from May to December 2022 (Note: 19 May 2022 is the beginning of MoMo PSB operations).

Complaints	Total number of complaints
Received complaints	8,087
Resolved complaints	8,014
Unresolved complaints pending with the Bank carried forward	73

The funds refunded were due to failed electricity bill payment and cable TV. There were no financial claims. The resolution is communicated to the client thereafter.

Unresolved Complaints escalated to CBN for intervention: 0

Complaints receipt, resolution, analysis and feedback are handled by the Back-Office team in Customer Relations as Level 2 and Back Office Team in MoMo PSB Operations as Level 3 which reports to the Head of Operations.

The Complaints resolution is guided by the Complaints Policy.

Excellent Service and Client Satisfaction remains a key focus area for MoMo Payment Service Bank Limited.

Client's complaint is received via any of the touch points such as Helpdesk [671], Shops, Agent network, Social Media and e-mail.

Complaints received from customers via any of the touch points are categorized into 3 i.e. queries, requests and complaints. Queries and requests are resolved at the first contact while complaints are escalated through the Escalation/Ticketing Tool [ServiceNow].

30. Fraud and forgeries prevention

MoMo Payment Service Bank (MoMo PSB) is implementing a Fraud Risk Management process focused on the prevention, detection, mitigation and deterrence of fraud risks, taking into cognizance fraud incidents prevalent in the industry and globally. There was no fraud loss reported within the period.

The Bank aims to proactively manage fraud incidents using monitoring solutions and provides education and awareness to staff, customers and agents on fraud trends.

Notes to the audited financial statements

31. Comparative figures

No comparative figures have been presented as these are the first audited financial statements of the Bank.

32. Events after the reporting period

Yello Digital Financial System Limited (YDFS) and MoMo PSB merger

At the MTN Nigeria Communications Plc (Parent) annual general meeting held on 18 April 2023, it was approved that two of the Parent's subsidiaries (MoMo PSB and YDFS) be merged and integrated to form one company which will hold the Payment Service Bank license granted by the Central Bank of Nigeria and will also be capable of performing super-agent services and other permissible activities. This is not an adjusting event.

Other national disclosures

Value added statement

	2022 N '000	2022 %
Value Added		
Value added by operating activities		
Gross income	104,990	
Commissions and other expenses	(8,441,698)	
	(8,336,708)	**107**
Other income	554,295	
	554,295	**(7)**
Total value consumed	**(7,782,413)**	**100**
Value Distributed		
To Pay Employees		
Salaries, wages, medical and other benefits	655,517	
	655,517	**(8)**
To be retained in the business for expansion and future wealth creation:		
Value reinvested		
Credit losses and impairments	10,543,761	
Deferred tax	(5,688,804)	
	4,854,957	**(62)**
Value retained		
Accumulated loss	(13,292,887)	
	(13,292,887)	**171**
Total Value Distributed	**(7,782,413)**	**100**

Value consumed represents the additional wealth which the Bank has been able to create by its own and employees efforts.

Financial summary

	2022 N '000
Statement of financial position	
Assets	
Cash and cash equivalents	15,356,719
Financial assets at fair value through other comprehensive income	2,378,068
Other assets	1,009,251
Deferred tax	5,657,582
Total assets	**24,401,620**
Liabilities	
Deposits from customers	650,502
Other liabilities	16,462,457
Deposits for shares	15,500,000
Total liabilities	**32,612,959**
Equity	
Share capital	5,000,000
Other reserves	81,548
Accumulated loss	(13,292,887)
Total equity	**(8,211,339)**
Total equity and liabilities	**24,401,620**
Statement of profit or loss and other comprehensive income	
Gross loss	(978,312)
Loss before taxation	(18,981,691)
Loss for the period	(13,292,887)